



U.S. Department of the Treasury
Office of Foreign Assets Control

YUGOSLAVIA



What You Need To Know About U.S. Sanctions

A summary involving the Federal Republic of Yugoslavia (Serbia & Montenegro) (including the Executive Orders relating to Kosovo)

■ **BACKGROUND** - At present, there are two distinct sanctions programs in place against the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) ("FRY S&M"). U.S. persons, wherever located, must comply with the restrictions imposed under both these programs.

U.S. sanctions against the FRY (S&M) date back to May 30, 1992, when the President issued an Executive Order freezing assets of the Government of Serbia, the Government of Montenegro, and assets held in the name of the former Government of the Socialist Federal Republic of Yugoslavia and of the then-recently-constituted Federal Republic of Yugoslavia. On June 5, 1992, the sanctions were expanded to prohibit trade and other transactions with the FRY (S&M); on April 26, 1993, blocking provisions were added to specifically encompass FRY (S&M) companies; and on October 25, 1994, additional measures were taken to target Bosnian Serb-controlled areas of the Republic of Bosnia and Herzegovina. The sanctions were implemented by the "Federal Republic of Yugoslavia (Serbia & Montenegro) and Bosnian Serb-controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations" set forth in 31 C.F.R. Part 585. The sanctions were suspended with respect to prospective transactions in 1996. However, FRY (S&M) assets blocked prior to December 27, 1995, remain blocked today.

Because of actions and policies of the Governments of the FRY (S&M) and the Republic of Serbia with respect to Kosovo, President Clinton issued Executive Order 13088 on June 9, 1998, imposing new sanctions on the Government of the FRY (S&M) and the Governments of the Republics of Serbia and Montenegro. The new program was implemented by the "Federal Republic of Yugoslavia (Serbia and Montenegro) Kosovo Sanctions Regulations" (the "KSR") set forth in 31 C.F.R. Part 586. On April 30, 1999, given the continuing human rights and humanitarian crisis in Kosovo, the President issued Executive Order 13121 imposing trade restrictions.

Criminal penalties for violating any of these Regulations range up to 10 years in jail, \$500,000 in corporate, and \$250,000 in individual fines. In addition, civil penalties of up to \$11,000 per violation may be imposed administratively.

This fact sheet is a broad overview of sanctions currently in effect against the FRY (S&M).

■ **THE FRY (S&M) UNDER THE KOSOVO PROGRAM** - Sanctions under the Kosovo program apply to the Governments of the Federal Republic of Yugoslavia and of the Republics of Serbia and Montenegro, and their respective agencies, instrumentalities and controlled entities. By general license, contained in §586.516 of the KSR, the Government of the Republic of Montenegro is excluded from sanctions imposed under the Kosovo program. The Governments of the FRY (S&M) and of Serbia are defined to include all financial institutions and all state- and socially-owned entities organized or located in the FRY (S&M) or Serbia as of June 9, 1998,

any successors to such entities, and their respective subsidiaries and branches, wherever located. The definition includes any persons acting or purporting to act for or on behalf of any of the foregoing. Persons and organizations determined by the Secretary of the Treasury to fall within any of the above categories may be named as "Specially Designated Nationals" or "Blocked Persons," listed with the acronym "[FRYK]" in OFAC's master list of "Specially Designated Nationals and Blocked Persons," subjecting them to the blocking provisions and prohibitions of the new sanctions. Many of the same entities were previously listed as "Blocked Persons" under the Federal Republic of Yugoslavia (Serbia & Montenegro) and Bosnian Serb-controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations with the acronym "[FRY S&M]" on OFAC's master list and their assets blocked prior to December 27, 1995, remain blocked.

■ **TRADE TRANSACTIONS GENERALLY PROHIBITED** - The exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, to the FRY (S&M) or to the Government of the FRY (S&M) or the Government of the Republic of Serbia of any goods (including petroleum and petroleum products), software, technology (including technical data), or services is generally prohibited.

Importation into the United States, directly or indirectly, of any goods, software, technology or services from the FRY (S&M) or owned by the Governments of the FRY (S&M) or of the Republic of Serbia is prohibited.

Any transaction or dealing by a U.S. person, wherever located, in goods, software, technology or services, regardless of country of origin, destined for exportation, reexportation, sale, or supply to, or exportation from or by, the FRY (S&M) or the Governments of the FRY (S&M) or of the Republic of Serbia (wherever located) is generally prohibited. This prohibition includes, without limitation, purchase, sale, transport, swap or brokerage transactions in such items, and approving, financing, insuring, facilitating, or guaranteeing any such transactions.

By a general license issued May 5, 1999, the Republic of Montenegro is excluded from the scope of these prohibitions, except with respect to FRY (S&M) and Serb government entities that are located there.

■ **CERTAIN TRANSACTIONS ELIGIBLE FOR LICENSING** - Specific licenses may be issued relating to the humanitarian needs of refugees from Kosovo and other civilians within the FRY (S&M) and regarding the commercial sale of agricultural commodities and products, medicine, and medical equipment for civilian end use in the territory of the FRY (S&M). Generally speaking, licenses for the exportation from the United States and the reexportation of U.S.-origin goods, software and technology to Serbia or to the Government of the FRY (S&M) or the Government of Serbia (wherever located) are issued by the Commerce Department's

Bureau of Export Administration, while the exportation from the United States of services, the reexportation of non-U.S.-origin goods, software and technology by a U.S. person to Serbia or those governments, and U.S. persons' foreign sales to those governments within the same country of goods, software, technology or services must be licensed by the Office of Foreign Assets Control. Montenegro is treated as a separate country from the Serbian portion of the FRY (S&M) for licensing purposes. See "Financial Transactions" section of this brochure for restrictions regarding the financing of licensed transactions.

■ **ASSETS BLOCKED** - Effective June 10, 1998, the President blocked all property and interests in property of the Government of the FRY (S&M) and the Governments of the Republics of Serbia and Montenegro in the United States, within the possession or control of U.S. persons and any property which comes into the possession or control of U.S. persons, including their overseas branches. However, on June 18, 1998, the Office of Foreign Assets Control issued General License No. 1 (now §586.516 of the KSR), which excluded the Government of the Republic of Montenegro from those blocking provisions and that General License remains in effect. No transfers of blocked property are allowed without a specific license from the Office of Foreign Assets Control. The freeze covers all properties of the governments and entities set forth above and includes deposits held in banks in the United States and in U.S. banks' overseas branches. Any unlicensed funds transfer involving a direct or indirect interest of any of the foregoing parties which a bank subject to U.S. jurisdiction receives, must be deposited into a blocked account on the books of the bank receiving the instructions. Such funds may not be returned to a remitter without a specific license from the Office of Foreign Assets Control. No unlicensed debits may be made to blocked accounts to pay obligations of U.S. or other persons, whether the obligations arose before or after the current sanctions were imposed.

Certain funds transfers, blocked prior to December 27, 1995, were authorized to be unblocked under the terms of the suspension of the previous sanctions against the FRY (S&M). In light of the new restrictions, transactions involving blocked funds of the Governments of the FRY (S&M) and of the Republic of Serbia, as defined under the new program, no longer qualify for release under suspension guidelines without a license from the Office of Foreign Assets Control.

■ **FINANCIAL TRANSACTIONS** - As a result of the blocking of property, financial transactions, including trade financing, are generally prohibited. Financing for licensed exports may not be from a blocked account in the United States, but may be provided by non-U.S., non-FRY (except Montenegrin) banks in third countries, or by cash payment in advance, or by open account financing not to exceed 90 days net. U.S. banks may process payments, as well as advise or confirm letters of credit opened by third-country (including Montenegrin) banks for licensed transactions if they satisfy themselves that the value of such exportation or reexportation reasonably corresponds to the sums of money involved in the transaction.

■ **NEW INVESTMENTS** - Effective June 10, 1998, any new investment in the territory of the Republic of Serbia and the approval or other facilitation by U.S. persons of other persons' new investment in the territory of the Republic of Serbia, are prohibited. "New investment" means: (1) the acquisition of debt or equity interests in; (2) a commitment or contribution of funds or other assets to; or (3) a loan or other extension of credit to, a public or private undertaking, entity, or project.

■ **PROHIBITED FACILITATION** - Any transaction by a United States person that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions is prohibited as is any conspiracy formed to violate the prohibitions.

■ **NON-GOVERNMENTAL ORGANIZATIONS** - Registration numbers may be issued by OFAC on a case-by-case basis to non-governmental organizations ("NGOs") involved in humanitarian activities in the FRY (S&M), enabling them to continue authorized operations. Applications for registration must include the name and address of the NGO's headquarters; the name, title, and telephone number of a person to be contacted in connection with the registration; the NGO's local address in the FRY (S&M) and name, if different; and a detailed description of its humanitarian

activities and projects in the FRY (S&M). Registrants conducting transactions for their FRY (S&M) operations must reference their registration number on all funds transfer, purchase, shipping, and financing documents. Registration numbers already granted remain in effect.

■ **THE REPUBLIC OF MONTENEGRO** - Although Executive Order 13088 blocked the assets of the Government of the Republic of Montenegro, provision has been made for special consideration to be accorded Montenegro in the implementation of the sanctions. General License No. 1 (§586.516 of the KSR), issued by OFAC on June 18, 1998, excluded the Government of the Republic of Montenegro from the blocking provisions of the Kosovo sanctions. An additional general license (General License No. 2) involving trade transactions with the Republic of Montenegro was issued by OFAC on May 5, 1999 and follows in an **APPENDIX** to this brochure.

■ **THE TERRITORY OF KOSOVO** - Effective August 17, 1999, a general license has been issued dealing with trade transactions involving and new investment in the Territory of Kosovo. See the **APPENDIX** which follows.

If you have information regarding possible violations of the regulations, please call the Treasury Department's Office of Foreign Assets Control at 202/622-2430. Your call will be handled confidentially.

APPENDIX -

GENERAL LICENSE NO. 2 issued by OFAC on May 5, 1999

Trade Transactions Involving the Republic of Montenegro

(a) The exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, destined for end-use in the Republic of Montenegro (except by the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia) or by the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, *inter alia*, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) are hereby authorized.

(b) The importation into the United States, directly or indirectly, of any goods, software, technology (including technical data) or services originating in the Republic of Montenegro or owned or controlled by the Government of the Republic of Montenegro otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, *inter alia*, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) is hereby authorized.

(c) Any transaction or dealing by a United States person, wherever located, in goods, software, technology (including technical data) or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from or by, the Republic of Montenegro or the Government of the Republic of Montenegro otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, *inter alia*, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) is hereby authorized.

Note: This general license does not excuse the U.S. person from compliance with other applicable U.S. laws governing the exportation and reexportation of U.S.-origin goods, software, technology (including technical data) or services.

GENERAL LICENSE NO. 3 issued by OFAC on May 20, 1999

Exportations, Reexportations and Incidental Transactions

(a) All transactions ordinarily incident to the exportation of goods (including petroleum and petroleum products), software, or technology (including technical data) from the United States or reexportation of U.S.-origin goods, software, or technology from a foreign country to any person in the Federal Republic of Yugoslavia (Serbia and Montenegro), to the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia are hereby authorized, provided that the following terms and conditions are met:

(1) The exportation or reexportation is licensed or otherwise authorized by the Department of Commerce under the provisions of the Export Administration Act of 1979, 50 U.S.C. App. 2401-2420, and the International Emergency Economic Powers Act 50 U.S.C. 1701-1706;

(2) The exportation or reexportation is financed by a financial institution in a third country that is neither a U.S. person nor a person whose property is blocked pursuant to 31 C.F.R. § 586.201, or by cash payment in advance, or by open account financing not to exceed 90 days net.

(b) Financial institutions that are U.S. persons, prior to confirming or advising, or accepting or paying drafts drawn under, or reimbursing themselves for payment made under, any letter of credit, or making any other payment or transfer of credit in connection with any exportation or reexportation licensed pursuant to this general license, or engaging in any other transactions authorized in this general license shall satisfy themselves that:

(1) Each such transaction is incident to a bona fide exportation or reexportation and is customary in the normal course of business, and that the value of such exportation or reexportation reasonably corresponds to the sums of money involved in financing such transaction; and

(2) The exportation or reexportation and any financing therefor are made pursuant to all the terms and conditions of this general license.

(c) This general license does not authorize:

(1) The financing of any transaction from a blocked account;

(2) Any transaction by a financial institution in the United States or by any U.S. person, wherever located, under, or with respect to an exportation or reexportation financed by, a letter of credit issued by a person whose property is blocked pursuant to 31 C.F.R. 586.201;

(3) Any transaction by a U.S. person related to the reexportation of non-U.S.-origin goods, software, or technology from a foreign country to any person in the Federal Republic of Yugoslavia (Serbia and Montenegro) or to the Government of Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia; or

(4) Any transaction by a U.S. person related to the sale or supply within the same foreign country of goods, software, or technology to the Government of Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia, except as incidental to an exportation or reexportation authorized pursuant to paragraph (a) of this general license; or

(5) The opening or operation by any U.S. person of a correspondent account for a financial institution whose property is blocked pursuant to 31 C.F.R. 586.201.

(d) For the purposes of this general license, the terms "foreign country" and "third country" shall include the Republic of Montenegro.

GENERAL LICENSE NO. 4 issued by OFAC on August 17, 1999

Trade Transactions Involving the Territory of Kosovo

(a) The exportation, reexportation, sale, or supply, directly or indirectly, by a United States person, wherever located, destined for end-use in the territory of Kosovo (except by the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of

Serbia), of any services or non-U.S.-origin goods (including petroleum and petroleum products), software, technology (including technical data), otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, inter alia, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) are hereby authorized.

(b) All transactions ordinarily incident to the exportation of goods (including petroleum and petroleum products), software, or technology (including technical data) from the United States or reexportation of U.S.-origin goods, software, or technology from a foreign country destined for end-use in the territory of Kosovo are authorized, provided that the following terms and conditions are met:

(1) the exportation or reexportation is licensed or otherwise authorized by the Department of Commerce under the provisions of the Export Administration Act of 1979, 50 U.S.C. App. 2401-2420, and the International Emergency Economic Powers Act, 50 U.S.C. 1701-1706;

(2) the exportation or reexportation is not financed by a person whose property is blocked pursuant to 31 C.F.R. § 586.201;

(3) the financing does not involve any debit to a blocked account; and

(4) the transaction does not involve the opening or operation by any U.S. person of a correspondent account for a financial institution whose property is blocked pursuant to 31 C.F.R. 586.201.

(c) The importation into the United States, directly or indirectly, of any goods, software, technology (including technical data) or services originating in the territory of Kosovo otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, inter alia, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) is hereby authorized.

(d) Any transaction or dealing by a United States person, wherever located, in goods, software, technology (including technical data) or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from, the territory of Kosovo otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, inter alia, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) is hereby authorized.

Note: This general license does not excuse the U.S. person from compliance with other applicable U.S. laws governing the exportation and reexportation of U.S.-origin goods, software, technology (including technical data) or services.

New Investment in the Territory of Kosovo

All new investment by United States persons in the territory of Kosovo, and the approval or other facilitation by United States persons of other persons' new investment in the territory of Kosovo, are authorized.

This document is explanatory only and does not have the force of law. Executive Orders and implementing regulations pertaining to Yugoslavia contain the legally binding provisions governing sanctions against the Governments of the Federal Republic of Yugoslavia (Serbia & Montenegro), the Republic of Serbia, and the Republic of Montenegro described above. This document does not supplement or modify the Executive Orders or regulations from a legal perspective.

The Office of Foreign Assets Control also administers sanctions programs involving Libya, Iraq, North Korea, Cuba, the National Union for the Total Independence of Angola (UNITA), Iran, Syria, Sudan, Burma (Myanmar), designated Terrorists and international Narcotics Traffickers, Foreign Terrorist Organizations, and designated foreign persons who have engaged in activities related to the proliferation of weapons of mass destruction. For additional information about these programs or about sanctions against the Federal Republic of Yugoslavia, please contact the:

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